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Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

USPTO Decides To Appeal Tafas Ruling

By **Jacqueline Bell**, jackie.bell@portfoliomedia.com

Wednesday, May 07, 2008 --- The U.S. Patent and Trademark Office has decided to appeal a district court decision voiding a set of sharply contested new rules pushed by the agency as a necessary tool to streamline its processes and clear a growing backlog of paperwork.

In a notice filed with the U.S. District Court for the Eastern District of Virginia Wednesday, the USPTO said it was appealing the final order of Judge James C. Cacheris in the Tafas/GSK v. Dudas case to the U.S. Court of Appeals for the Federal Circuit.

In April, Judge Cacheris struck down the set of controversial rules, finding that the agency does not possess the proper authority to make them and handing a victory to plaintiffs Dr. Triantafyllos Tafas, an inventor, and pharmaceutical giant GlaxoSmithKline.

Judge Cacheris ruled that the changes the agency proposed were substantive, not procedural, and that the USPTO was not authorized to make substantive changes to regulations.

A substantive rule, Judge Cacheris wrote, is one that affects individual rights and obligations. Using that broad definition, the judge found that the limitations of the final rules on the number of claims and continuations that could be filed per patent application essentially altered the rights of inventors to win patents, substantively changing existing law.

In a statement issued Wednesday, the patent office confirmed its intent to appeal, noting that it remained “convinced the proposed rules about claims and continuations are consistent with existing statutes and that these rules will strengthen the U.S. patent system for all stakeholders.”

Nancy Pekarek, spokesperson for GlaxoSmithKline, said this step was for the PTO to decide.

"The lower Court decided that the PTO lacks the necessary authority to implement the proposed rule changes, which we believe is a judgment in support of innovation across all industries. We will continue to support those arguments in the Court of Appeals," said Pekarek.

Tafas attorneys James Nealon and Steven Moore, both partners at Kelley Drye & Warren LLP, said Wednesday they had anticipated an appeal.

“We're very confident that the same arguments that prevailed in the district court will carry the day on appeal,” said Nealon. “I think they're really going to have their hands full persuading the Federal Circuit.”

And on appeal, the patent office will have the burden of driving the argument, they noted.

“We're ready to go,” said Moore.

Steven Rubin, counsel in the intellectual property group of WolfBlock LLP said the USPTO likely felt it had no choice but to file an appeal.

“They really got beaten up by the lower court,” said Rubin. “I think the PTO's scared. Any rule that someone doesn't like, now there's a clear standard of how to challenge it.”

As for the USPTO's chances of getting the Federal Circuit to reverse the decision of the lower court, few thought much of the patent office's odds.

“I don't think it's going to be to any avail. I think the decision was correct. And I think the approach the district court took is abundantly clear and abundantly sound,” said Joseph M. Potenza, partner at Banner Witcoff Ltd.

In the months leading up to the district court's ruling in April, a wide variety of additional arguments against the proposed rules were raised, but Judge Cacheris declined to rule on those matters, confining his decision to the question of whether the rules were substantive or procedural.

“Because the court believes that one who judges least, judges best, it will not reach the other issues raised by the parties, resting instead on the determination of a single, dispositive issue,” Judge Cacheris wrote.

But those “other issues” could come back to haunt the patent office during an appeal, one way or another, whether the agency wins or loses.

“They're in a tough spot, even if they put their best foot forward,” said Scott Pivnick, intellectual property partner at Pillsbury Winthrop Shaw Pittman LLP. “Even if the patent office is successful, there were a lot of other issues that were undecided.”

The rules, voided by the district court on April 1, would have allowed applicants to file only two new continuing applications and one request for continued examination unless they could provide a convincing argument for why the additional information in question was not previously submitted.

The new rules would also have limited applications to 25 claims, including no more than five independent claims, unless the applicants could demonstrate why the additional claims were necessary.

Currently, applicants can automatically file an unlimited number of

continuations and, in principle, their applications can have an unlimited number of claims.

GlaxoSmithKline is represented in this matter by Kirkland & Ellis LLP.

Tafas is represented in this matter by Kelley Drye & Warren LLP.

The district court case is Tafas/SmithKline Beecham Corp. et al. v. Jon W. Dudas et al., case number 1:07-cv-00846, in the U.S. District Court for the Eastern District of Virginia.